

Message Text

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TO AMEMBASSY PORT OF SPAIN

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E.O. 11652: N/A

TAGS: BEXP, TD

SUBJECT: IDC IRON AND STEEL PROJECT

REF: POS 2014, STATE 166729, POS 1946

SUMMARY: ARMCO/FOSTER WHEELER TEAM REQUESTS ASSISTANCE FOR THEIR JOINT BID FOR IDC CONTRACT OWING TO CONCERN THAT KORF (GERMANY) MAY BE ATTEMPTING TO LOCK UP CONTRACT WITH GERMAN GOVERNMENT ASSISTANCE. TO HIGHLIGHT ARMCO'S PROPOSAL AND TO ASSURE THAT IT RECEIVES PROPER FORUM FOR DISCUSSION WE PROPOSE THE FORMULATION OF A JOINT USG/INDUSTRY APPROACH. SUCH ACTION WOULD ALSO SUPPORT EMBASSY CAP. SUBJECT TO EMBASSY APPROVAL, A JOINT USG/INDUSTRY TEAM COULD BE ORGANIZED TO MEET WITH SENIOR GOTT/IDC OFFICIALS IN THE NEAR FUTURE. MEPD PREPARED TO SEND PROJECT OFFICER TO TRINIDAD DURING THE WEEK OF OCTOBER 7 FOR TWO DAYS OF DISCUSSIONS ON THIS SUBJECT. IF THEN DEEMED APPROPRIATE JOINT USG/INDUSTRY TEAM MEETINGS WOULD BE SCHEDULED AND COULD INCLUDE THE SUBMISSION OF INTIAL ARMCO/FOSTER WHEELER PROPOSAL AT THAT TIME.

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1. APPRECIATE EMBASSY'S THOROUGH REPORT ON SUBJECT PROJECT. WE HAVE PASSED INFORMATION TO ARMCO STEEL CORPORATION (REFTEL B). COMPANY HAS CABLED PRIME MINISTER WILLIAMS STATING THEIR INTEREST IN PROVIDING DIRECT REDUCTION TECHNOLOGY AND CONSTRUCTION SERVICES AS WELL AS IN PARTICIPATING FROM AN EQUITY STANDPOINT (FYI ARMCO IS ONE OF THE FIVE COMPANIES WORLDWIDE WHICH HAS DEVELOPED A DIRECT REDUCTION CAPABILITY, BUT OF THE TWO U.S. FIRMS WITH A PROCESS THEY ARE THE ONLY ONE WHICH IN OUR JUDGEMENT WOULD CONSIDER EQUITY PARTICIPATION). THEY HAVE RETAINED FOSTER WHEELER CORPORATION TO PROVIDE ENGINEERING FOR PROJECT. ARMCO ADVISES THEY ARE PLEASED WITH THE SELECTION OF HATCH ASSOCIATES AS ADVISOR TO GOTT ON PROJECT BECAUSE OF LONG STANDING RELATIONSHIP WHICH EXISTS BETWEEN THE TWO FIRMS.

2. ARMCO IS CONCERNED THAT KORF STEEL (GERMAN) USING THEIR MIDREX PROCESS HAS THE INSIDE TRACK ON PROJECT AND IN FACT COMPANY UNDERSTANDS IDC CONTRACT MAY HAVE ALREADY BEEN COMMITTED TO THE GERMAN FIRM BY LETTER OF INTENT. WE ARE APPREHENSIVE THAT WITHOUT STRONG USG INITIATIVES TO FOSTER US PARTICIPATION THE \$100 MILLION PLUS BUSINESS INCLUDING RELATED CAPITAL EQUIPMENT PROCUREMENT MAY GO TO FOREIGN FIRMS. ARMCO HAS ASKED FOR OUR ASSISTANCE AND SUPPORT TO ASSURE THAT IDC WILL GIVE COMPLETE CONSIDERATION TO THEIR PROPOSAL.

3. WE CONCUR WITH EMBASSY CAP THAT IT IS IN BEST INTEREST OF THE USG TO FOSTER U.S. INDUSTRY PARTICIPATION IN GOTT GAS RELATED PROJECTS BECAUSE OF THEIR LARGE U.S. EXPORT POTENTIAL. IN THIS CASE WE BELIEVE A DIRECT APPROACH IS APPROPRIATE BECAUSE OF ARMCO'S REQUEST AS WELL AS THE IMPORTANT LINK WHICH EXISTS BETWEEN THE IDC PROJECT AND GOTT NATURAL GAS DEVELOPMENT. SUBJECT TO EMBASSY APPROVAL, AND RECOGNIZING THERE MAY BE FACTORS KNOWN TO THE EMBASSY WHICH ARGUE AGAINST DIRECT USG INVOLVEMENT, WE FEEL THE NEED TO FORMULATE A STRATEGY TO SUPPORT THE EMBASSY PROGRAM. FOR THIS PURPOSE, MEPD IS PREPARED TO DISPATCH A PROJECT OFFICER TO TRINIDAD TO DISCUSS THIS SUBJECT. SUCH A VISIT COULD LIMITED OFFICIAL USE

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OCCUR DURING THE FIRST PART OF OCTOBER, SAY DURING THE WEEK OF OCTOBER 7 IF EMBASSY DESIRES. INITIAL AND TENTATIVE THINKING CENTERS AROUND THE ADVISABILITY OF FOSTERING A JOINT USG/ARMCO/FOSTER WHEELER TEAM DISCUSSION IN TRINIDAD. WE ARE PREPARED TO ORGANIZE SUCH AN EXERCISE AND PROVIDE A PROJECT OFFICER TO ACCOMPANY SENIOR EXECUTIVES FROM ARMCO AND FOSTER WHEELER AT AN APPROPRIATE TIME SUBSEQUENT TO THE PROJECT OFFICER'S

INITIAL VISIT.

OVERALL OBJECTIVES OF THE PROPOSED VISITS WOULD BE:

A) HIGHLIGHT OUR DESIRE TO GAIN A FAIR SHARE OF THE BUSINESS FOR U.S. FIRMS BY WORKING IN CONCERT WITH THESE QUALIFIED U.S. COMPANIES WHO ARE PREPARED TO NEGOTIATE AND CONSUMMATE CONTRACT WORK IN TRINIDAD.

B) ASSURE THAT THE ARMCO/FOSTER WHEELER PROPOSAL RECEIVES AN APPROPRIATE FORUM FOR DISCUSSION.

C) RECEIVE ASSURANCES THAT THE GOTT WILL GIVE THOROUGH CONSIDERATION TO THEIR PROPOSAL.

D) IDENTIFY ALL PARAMETERS NECESSARY TO MEET THE REQUIREMENTS FOR BIDDING THE IDC PROJECT.

4. PROJECT OFFICER WOULD ALSO BE PREPARED TO DISCUSS ACTION PROGRAM IN SUPPORT OF EMBASSY ACTIVITY RELATING TO OTHER MAJOR PROJECTS IN TRINIDAD.

ACTION REQUESTED: ADVISE IF EMBASSY DESIRES VISIT FROM MEPD PROJECT OFFICER TO DISCUSS AND INITIATE ACTION PROGRAM RELATING TO THIS PROJECT AND POSSIBLY OTHERS THE EMBASSY MAY WISH TO APPROACH. IF PROJECT OFFICER VISIT IS REQUESTED, SUGGEST CONCISE TWO DAY SCHEDULE BE ESTABLISHED TO INCLUDE APPROPRIATE VISITS WITH GOTT LIMITED OFFICIAL USE

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OFFICIALS. FOR PURPOSES OF IDC STEEL MILL PROJECT, RECOMMEND VISIT BE SCHEDULED WITH IDC DEPUTY CHAIRMAN JULIEN, AND KEY FIGURE IN MINISTRY OF INDUSTRY AND COMMERCE. KISSINGER

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